

The Gupta's, the Public Protectors Report and Capital Accumulation in South Africa

Abstract

The relationship between South African President Jacob Zuma and his family, and the Guptas, possibly the richest family of Indian origin at present in South Africa, has made persistent national and increasingly international headlines in the media over the past few years. The Gupta family, who arrived in South Africa from India just prior to the country's first non-racial democratic elections in 1994, are accused of colluding with Zuma in the removal and appointment of government ministers, as well as the directors of State-Owned Enterprises (SOEs) in order to secure lucrative state contracts. This article examines the allegedly corrupt relationship between the Zumas and the Guptas to probe key issues in post-apartheid South African society: corruption, state capture, inequality, class formation, Black Economic Empowerment, and White Monopoly Capital. It argues that corruption has negative consequences such as creating despondency amongst the populace leading to capital flight and creating the possibilities for state capture as well as further deepening inequality.

Introduction

The lexicon of South African English has been constantly transformed by the inclusion of words from the Afrikaans language, phrases from the Indian sub-continent, as well as by some words and phrases from local African languages. When this potpourri of "English" is spoken at rapid pace, even an English speaking foreigner could easily get lost as sentences are trespassed with local inflections (Mesthrie 2010). Like its relationship with Empire, sometimes seeking its protection, at other times trying to maim its soldiers in bloody battles, South Africans of all colours have always played around with the tutelage and language of colonial imposition. Arguably, the most beguiling of new words to enter the South African dictionary in recent times is "Zupta". Used sparingly in the first years after Jacob Zuma became South African president in 2009, it has now become part of *normal-speak* in the country's conversation.

The genesis of this word comes from the close relationship between the Gupta family, who arrived from India in 1993 and the family of Zuma. How are we to interpret this word? Does it signify a highpoint of Afro-Indian relations, where these families have become so intertwined that they can be identified by a single word, and where this relationship points to broader cooperation between Africans and Indians, or does it signify that Zuma and his family sit atop a shady consortium whose main corrupters are the Gupta family, and where this relationship serves to aggravate already negative African perceptions of Indians as exploiters?

We begin by providing a theoretical framework that examines the relationship between corruption, state capture, inequality, and populism. We then focus on the arrival of the Guptas into South Africa and their increased involvement with the family of current South African president Jacob Zuma and his family and through these political connections, in the economy itself; the third portion of the article examines the State Capture Report of South African Public Protector and public reactions to that report; and the final part reflects on the debates generated over such issues as Black Economic Empowerment (BEE) and White Monopoly Capital (WMC). This article is based mainly on our observations of contemporary South African politics, trying to analyse events as they unfold, newspapers and online reports, and the official report of the Public Protector on allegations of State Capture. We hope in this way to produce a thematic / textual analysis of media reports, research and investigations to examine allegations of corruption and state capture in South Africa, and its impact on the wider society.

Corruption, state capture, and inequality

There is a growing literature internationally on corruption, and specifically its relationship to state capture, inequality and the rise of populism. According to Philip (2001), we have a case of corruption when 'a public official (A), acting for personal gain, violates the norms of public office and harms the

interests of the public (B) to benefit a third party (C) who rewards A for access to goods or services which C would not otherwise obtain.’ Transparency International ranked South Africa 64 out of 176 countries on the Corruption Perceptions Index 2016. This may seem reasonable but the country has regressed from 2001 when it ranked 38. According to José Ugaz, Chair of Transparency International, ‘in too many countries, people are deprived of their most basic needs and go to bed hungry every night because of corruption, while the powerful and corrupt enjoy lavish lifestyles with impunity.’ Ugaz argues that societies with high levels of corruption are marked by unequal distribution of power, and unequal distribution of wealth, with the masses sometimes ‘turning to populist leaders who promise to break the cycle of corruption and privilege’ (Transparency International 2016). South Africa certainly fits this profile. It is one of the most unequal societies in the world, while the past few years has seen the rise of the populist Economic Freedom Fighters (EFF) party under the leadership of Julius Malema.

Corruption, even the perception of it, can lead to despondency and cause people to be sceptical about calls to engage in philanthropy when they see leaders extracting profits for themselves (Hodess, Banfield, and Wolfe, 2001: 303). Corruption may also lead to capital flight as those who are benefiting from corrupt practices may seek to invest money out of the country in order to avoid being caught out, while others may legitimately take out their money for fear of the consequences of an unstable economic climate. This may have a direct impact on the economy. Le and Rishi (2007: 323) concluded that ‘corruption *does* have a positive and significant impact on capital flight.... Capital flight and corruption are some of the main causes of the poverty in the South. Without capital flight and corruption the debt crisis would not exist in its current form.’ Corruption may also have a direct impact on the economy in that key political leaders may get drawn into long and costly legal matters, tying up valuable state resources. The many years that South African president Jacob Zuma has spent fighting legal battles and his struggles against key state institutions are testimony of this.

This article is concerned specifically with one of the most direct and serious consequences of corruption, namely, state capture. The World Bank (2000) first coined the term ‘state capture’ to refer to the situation in those countries that were part of the former Soviet Republic where in the transition from communism, small groups of people used the state to enrich themselves. They came to be known as ‘oligarchs’. In Latin America, the focus was on the role of drug lords in corrupting the state (Crabtree and Durand 2017: 1). Philip (2001) defines state capture as ‘the domination of state institutions by individuals or groups in pursuit of their private interests.’ Lugon-Moulin (2017) states that state capture occurs when business or ruling elites ‘manipulate policy formation and influence the emerging rules of the game (including laws and economic regulations) to their own advantage.’ Private individuals, according to Edwards (2017), manipulate the laws and government bureaucracy in instances of state capture, which may not necessarily be illegal, but is aimed at influencing state policies and laws in their favour. Lugon-Moulin (2017) alerts us to the fact that in examining state capture we should focus on the ‘types of institutions subject to capture (Legislative, Executive, Judiciary, regulatory agencies, public works ministries) and the types of actors actively seeking to capture (large private firms, political leaders, high ranking officials, interest groups).’

Two broad explanations of state capture are dominant in the social sciences, one that sees state capture as a deviation from the ‘correct’ path and which can be rectified through institutional reform; and another that argues that corporations influence political leadership to ensure that legislation helps them to maximise profit (Crabtree and Durand 2017: 2). As long ago as 1956, C. Wright Mills, the American sociologist, argued in *The Political Elite* that political, military, and economic elites share a common world view, and that power in society rested in the centralization of authority within these elites. It is this second form of analysis, also termed ‘political capture’, that is applicable to the South African case. Crabtree and Durand (2017: 3) further argue that this form of capture does not have to involve corruption and that it flourishes primarily because ‘state institutions lack accountability and civil society [is] constituted in such a way as to be unable to provide a counter-weight to corporate influence.’

Against this background of existing literature it is our contention that what distinguishes state capture from ordinary corruption is the capacity of a private interest to intrude into state affairs to the point of directly determining state policy. This is not the stuff of lobbying or bribing officials to get contracts for work that is both needful and properly decided upon. The private actor is enabled to directly determine policy such that “captured” members of the executive champion projects and steer budgetary allocations towards these private actors. The state does not simply get ripped off, it is controlled.

Bhorat et al. (2017) usefully make the allegation this way. The Gupta-Zuma alliance, comprising a relatively small network of companies and individuals holds a ‘symbiotic relationship between the constitutional and shadow state together ...’ (Bhorat et al. 2017, 61). Performed efficiently, the capture of a state occurs quite openly through the exercise of legal and administrative decision-making. The effective decision has, however, already been made in the shadows. Such a decision is responsive solely to private financial interests and it is the task of the executive to either dress this decision up as proper policy or else ward off any legal challenges to it.

Zuptanomics

Despite being in South Africa for over two decades, the Gupta family literally zoomed into the consciousness of South Africans in April 2013 when they were allowed to use the South African Air Force Base at Waterkloof to land a plane load of 217 guests from India who were attending a family wedding at the exclusive Sun City holiday resort, located roughly 160 kilometres away in the Pilanesberg area in the North West Province. Television cameras captured the blue light brigade waiting to attention at the airport and escorting the guests to Sun City (Mataboge 2013). Leaked e-mails in 2017 revealed that public funds were in fact laundered from a project in the Orange Free State via Dubai to pay for this showcase wedding (AmaBhungane, 2017).

As the sirens and blazing lights swept their way to Sun City, one would have not been remiss to think that a foreign Head of State had arrived. Questions were raised and fingers pointed to the President. But blame was laid at a functionary. Bruce Koloane, the chief of state protocol at the Department of International Relations was fingered. He was demoted to liaison officer for allegedly using Zuma's name to illegally authorise the landing of the plane. And as is often the story-line in South Africa, Koloane was appointed South Africa's ambassador to the Netherlands in August 2014 (Mandla 2014).

The South African media dubbed the incident ‘Guptagate’ and public sentiment began to stiffen against the closely bonded families. The Gupta brothers, Ajay, Atul and Rajesh, came to South Africa in 1993 from the northern Indian state of Uttar Pradesh. South Africa was on the cusp of non-racial democratic

rule and was opening up to the outside world. The political transition created a void which resulted in porous borders and lack of internal controls. The first to arrive was Atul, the middle brother and public face of the Guptas, who established a business called Sahara Computers. Youngest brother Rajesh, who befriended Zuma's son Duduzane, arrived in 1997, while the eldest Tony settled permanently in the country in 2005 (Pillay 2013).

The beginnings were inauspicious for the family. They opened a shoe store in 1994 in Johannesburg, which failed. Another business, Correct Marketing, was opened and the name of these holdings was changed to Sahara in 1997, after Saharanpur, their home town. Sahara came to include Shiva Uranium and JIC mining services. The Guptas remained behind the scenes but forged links with the Zumas, ministers in the cabinet and, crucially, decision makers in State-Owned Enterprises (SOEs). They came to public notice in 2010 when they became involved in a 'dubious potential iron-ore mining deal' that saw them, with government help, acquire part of the mining rights to an iron ore mine. Their friendship with government ministers like Malusi Gigaba and Naledi Pandor came into the open, while family members accompanied President Zuma on his first state visit to India in 2010 (Pillay 2013).

Verashini Pillay, then editor-in-chief of the *Mail & Guardian* newspaper, was in India at the time covering the 150th commemoration of the arrival of the indentured migrants to Natal. She recounted that when she spoke to Indian journalists about the Guptas, no one had heard of them or the Sahara group. Pillay concluded that

whoever the Guptas had become in South Africa was a far cry from what they had been in India.... The contrast between the life the tight-knit Hindu family had in Saharanpur and their local bling lifestyle is stark: their father, after all, was a humble store owner who worked his way up, leading to the brothers sometimes being referred to unkindly as nouveau riche by their more moneyed Indian counterparts (Pillay 2013).

Kalim Rajab (2013), an occasional public commentator, noted that during this 2010 trip to India, Zuma made it clear to potential investors in South Africa that 'the suitable way of channelling it would be through the Gupta family. I'm not sure if there are any historical precedents for such a blatant (and downright dodgy) show of support of an administration towards politically connected businessmen.'

The Guptas' allegedly first met Jacob Zuma in 2003. They subsequently employed his wife Bongie Ngema-Zuma as communications officer; while his daughter Duduzile and son Duduzane were made directors in a number of Gupta companies at different times. Sahara Holdings came to include mining, aviation and technology. They also helped bring the lucrative Indian Premier League (IPL) cricket tournament to South Africa in 2009 when there were security concerns in India. And after Zuma's trip to India in 2010, the Guptas' started a pro-ANC newspaper, *New Age*, in 2010 and in late 2013, soon after the Waterkloof scandal, Duduzane Zuma teamed up with the Guptas to launch ANN7 a 24-hour television news channel which is pro-ANC (Saul and Bond, 2014: 222).

One of the most serious allegations against the family was that they played a pivotal role in determining South African cabinet appointments. The most public of these accusations was by then Deputy Finance Minister Mcebisi Jonas, who alleged that he was offered a ministerial position by the Guptas preceding the dismissal of then Finance Minister Nhlanhla Nene in December 2015. Jonas rejected the offer and Des Van Rooyen was appointed as Finance Minister by Zuma. This unfolding saga proved to be disastrous as billions were wiped off the Johannesburg Stock Exchange (JSE) and the South African rand went into free fall against major currencies. Zuma was forced by members of his own party to backtrack and replace his appointment with former Finance Minister Pravin Gordhan. A former ANC MP Vytjie Mentor and Themba Maseko, a former Government Communications Information System (GCIS) head, also claimed to have been offered ministerial posts by the Guptas' (*Mail & Guardian* 16 March 2016).

The Guptas' influence and reach into South African society is deep, to the extent that journalist Ranjeni Munsamy wrote in the *Daily Maverick* that the 'Gupta family has effectively usurped the function of the ANC deployment committee' (17 March 2016). The term "state capture" was coined to describe

the Gupta's *modus operandi* and quickly became part of South African everyday political language. Public pressure forced the ANC to launch an investigation into state capture in March 2016 but this investigation was dropped two months later when ANC Secretary-General Gwede Mantashe announced that the party had only received one written submission on the matter. Munsamy wrote that the 'Guptas can now resume working their political connections and influencing state and ANC processes under full political cover' (*Daily Maverick* 1 June 2016). The negative public perception surrounding these links led to South Africa's four major banks and one international auditing firm, KPMG, cutting their business dealings with Gupta-owned firms in April 2016 (Cropley 2016).

Thus, writes Chutel (2016), what

could have been another inspiring immigrant story ... is now met with deep skepticism and open anger by South Africans who see the Gupta family's ascent as symbolic of all that is rotten in local politics.... Rather than a bootstraps success story, the family's close relationship with embattled president Jacob Zuma has made them the target of political lashings and satirical cartoons.

The Public Protector's Report

Unlike places like Peru, South Africa has a vibrant opposition and civil society that has probed ways to challenge the Zuptas, notwithstanding the ANC majority in parliament. The opposition Democratic Alliance (DA) party requested the Office of the Public Protector to conduct an investigation into allegations of state capture by the Gupta family. The DA called specifically for an investigation into whether Jonas and Mentor had been offered jobs by the Guptas, whether the state had unduly enriched the Gupta family in its allocation of contracts, and whether Zuma violated the Executive Members' Ethics Act (Nicolson 2016a). The Protector, Thuli Madonsela, undertook an investigation into 'alleged improper and unethical conduct' by Zuma and other state functionaries with regard to the involvement of Guptas' in the appointment and removal of ministers and directors of SOEs (Madonsela 2016).

Madonsela complained of a lack of resources from the state to help her to complete the investigation and in particular a lack of cooperation from Zuma. ANC MP's also tried to muddy Madonsela's reputation by suggesting that she was allied to the DA and was a spy of the US Central Intelligence Agency (CIA). On the eve of her departure from office on 14 October 2016, Madonsela submitted her 355 pages long report to the Speaker of the National Assembly (Parliament) for 'safekeeping'. While the Speaker was required to place the report before members of the National Assembly, she chose to return it to the Office of the Public Protector. It was only made public on 2 November 2016, however, because Zuma and Co-operative Governance Minister Des van Rooyen tried to get the court to block the report. Van Rooyen withdrew his application on 21 October while Zuma withdrew his bid to get an interdict against the report on 2 November, in the midst of the Pretoria High Court sitting.

The report alleged what the media, public, and opposition political parties had speculated all along; the Gupta's wielded immense political clout and benefited economically through official connections to secure lucrative state contracts and private loans, and were themselves involved in shady mining deals involving, coal, uranium, gold, platinum, diamonds, and iron ore. (Madonsela 2016). Amongst the findings made by the Public Protector were that Zuma improperly and in violation of the Executive Ethics Code, allowed his son Duduzane and members of the Gupta family to be involved in the process of removal and appointment of the Minister of Finance in December 2015; Deputy Minister Jonas was offered a job by the Gupta family in exchange for extending favours to their family business;¹ that the Guptas' were allegedly involved in the awarding of large contracts by ESKOM, the state-owned electricity utility;² Zuma improperly used his position or information entrusted to him to give preferential treatment to businesses owned by the Gupta family and his son Duduzane Zuma in the award of state contracts, business financing, and trading licences; Government advertising was deliberately channelled to the Gupta's newspaper, the *New Age*; and television channel ANN7; and that Zuma may have been in breach of his legal duties in failing to investigate these matters or act against wrongdoings.

The report called for a judicial commission into the allegation, one that was 'adequately resourced' and presided over by a judge chosen by Chief Justice. This recommendation suggested that the Public

Protector had no faith in the partiality of a commission chosen by the President or the independence of the new Protector Busisiwe Mkhwebane, who was, in fact, alleged to have been an apartheid era spy. The Public Protector ordered that the commission report back within 180 days after its appointment. Amongst issues flagged in the report for further investigation were: how the South African Broadcasting Commission (SABC), a public broadcaster, began charging government departments to act as conduits for them to reach the public, a service it had previously offered for free, and splitting this new stream of revenue with a Gupta-owned newspaper; the relationship between the state-owned weapons company Denel and its Gupta-linked supplier, VR Laser Services; state-owned Transnet's many large payments to the financial advisory companies Regiments Capital and Trillian, which had clear Gupta links and helped the family to pay for a coal mine; state-owned airline South African Airways' (SAA) spending on the Gupta-owned *New Age* newspaper, including buying millions of copies of the publication; state-owned electricity company Eskom's contracts with a Gupta-owned coal mine to supply its Majuba power station; whether Zuma sanctioned the actions of his mining minister, Mosebenzi Zwane, who used his official position to 'unfairly and unduly influence' a contract for Zuma's son at the expense of the state; loans from the Industrial Development Corporation to finance Gupta enterprises; and the awarding of mining licences to Gupta companies.

In December 2016, Zuma mounted a legal challenge against the remedial action recommended by the report, arguing that it was his constitutional prerogative to appoint the leader of the commission and not that of the chief justice. Bantu Holomisa, leader of the United Democratic Movement (UDM) party, tweeted, sarcastically: 'the main suspect Zuma goes to court to demand that he personally appoints a Commission to investigate himself. Joke!' This matter has not been resolved at the time of writing (August 2017) and it is unclear when, if ever, this commission will see the light of day. As Greg Nicolson (2016b) noted, the ANC will do everything possible to 'buy time, postpone, delay, defer, defuse, deny, confuse.'

During May and June around 30 000 emails connected to the Guptas were leaked into the public domain, and can be viewed on the website of *Daily Maverick* (<https://www.dailymaverick.co.za/>). They confirmed some of what the Public Protector's report alleged, and pointed to the involvement of a vast number of individuals and businesses, ranging from state utility Eskom, to the ANC Youth League, Mining Minister Mosebenzi Zwane, Communications Minister, Ayanda Dlodlo, Finance Minister Malusi Gigaba, and Co-operative Governance Minister Des van Rooyen.

What are we to make of state capture allegations?

State capture or a challenge to white monopoly capital?

The Zuptas have relied on an interesting defence. They argue that the attacks on them stem from the fact that they represent a challenge to white capital and a class structure shaped historically under white minority rule. This argument is given support by some adherents to the Black Consciousness philosophy and Africanists. Andile Mngxitama, founder member of the Black First Land First movement (BLF) argued that the fundamental contradiction in South Africa is that 'white monopoly capitalism renders the black majority powerless.' Zuma's association with the Guptas was a deliberate 'strategy (on his part) to look more towards the East' since the 'colonial state' that the ANC inherited could not be transformed because the constitution has entrenched white power. Zuma is thus seeking to empower black people through 'parallel processes', which has angered white capital because the Guptas have secured lucrative mega projects, thus beating them at their own game (Mngxitama 2016).

Mngxitama argued that there was a parallel between the Zuptas and the era of white minority rule in South Africa when white capital 'was created with the direct support of the state.' Yet, when a political settlement was being negotiated in South Africa, white monopoly capital was not asked to 'account for their wealth, created from the super-exploitation and dispossession of blacks.' The attack on the Guptas was a 'proxy war ... to distract the angry youth from the real enemy', white capital, 'which continues with business as usual.' Mngxitama further argues that calls for the Guptas to leave South Africa was

dangerous as it involves the demagogic mobilisation of anti-Indian stereotypes and feeds into xenophobic tropes to organise the most backward sentiments in society and deflect attention from the real source of the South African problem, which is white capital created from colonialism and apartheid (Mngxitama 2016).

This line of argument has been vigorous. When the Democratic Alliance (DA) sponsored a no-confidence vote in Zuma in parliament in August 2016 the then Minister of Home Affairs and subsequent Minister of Finance, Malusi Gigaba, rose in Parliament full of righteous indignation:

The truth is that there is a bitter struggle in South Africa between the former oppressors and those whom they oppressed, for the right and power to determine the political direction of this country as well as ownership of its economic resources.... Our extensive mineral wealth and the prospective nuclear power station in South Africa lie at the heart of the regime-change offensive we are subjected to. Accepting this agenda and not opposing it to the very death will be our biggest folly.... There will be no retreat; there will be no surrender from us (quoted in Thamm 2016).

Mngxitama is correct that the coming to power of the National Party in 1948 saw the inauguration of *volkskapitalisme*, or people's capitalism primarily in favour of white Afrikaners (O'Meara 1983). An Afrikaner bourgeoisie was nurtured by the state which 'shaped the business environment directly through parastatals in rail and air transport, iron and steel, electricity, and telecommunications,' while introducing laws to 'protect the living standards of white voters, and to promote domestic industry' (Nattrass and Seekings 2010: 5). While there was a general upliftment of the white population, the commanding heights constituted a racially exclusive monopoly. Thus, the mining-based giant Anglo-American company controlled 44 percent of the entire capitalisation of the Johannesburg Stock Exchange (JSE) and the top five corporate groups together controlled 84 percent of the JSE in 1994 (Nattrass and Seekings 2010: 5).

An editorial in the *African Communist* (2016) pointed to several differences between the Guptas and old white capital. While accepting that the problem of capitalism was much deeper than the machinations of the Guptas, and that all capitalists were 'hostile' to the working class, made a distinction made between the Guptas and Afrikaner businessmen like Johann Rupert and Koos Bekker:

The Gupta family, arriving in South Africa in the mid-1990s, has been entirely parasitic for their wealth accumulation on corrupting parts of the post-apartheid state. The Ruperts and Bekkers, part of the so-called Stellenbosch mafia, appear to have some degree of commitment to South Africa, presumably both for wealth preservation and sentimental cultural reasons. The Ruperts and Bekkers repatriate some of their considerable global earnings back into South Africa. By contrast, the Gupta family is reputed to be shipping its ill-acquired wealth post-haste out of the country to Dubai in anticipation of a loss of political influence in the near-term.

It also subsequently emerged that the Guptas had employed British public relations firm Bell Pottinger to drive a social media campaign to divert attention from the family's involvement in state capture by emphasising the role of white monopoly capital in the South Africa's economy. Bell Pottinger came up with such slogans as #endeconomicapartheid, while besmirching journalists, politicians, and government officials who were exposing Gupta-linked corruption. Bell Pottinger also drafted some of the inflammatory speeches made by the ANC Youth League. The DA submitted a formal complaint with the UK-based public relations industry body that Bell Pottinger, by acting unethically, had manipulated public opinion to create racial divisions in South Africa. In July 2017, days before it was due to appear before the Public Relations Communications Association and the Chartered Institute of Public Relations, Bell Pottinger issued a public apology for to South Africans for the racial tensions it had fomented in the country. The lead partner involved in the South African business was dismissed (Thamm 2017).

One of the ironies of the comments of Mngxitama and Gigaba is that it was by virtue of the ANC's embracing of neoliberalism in the mid-1990s that 'the power and wealth of the white-controlled capitalist sector was enhanced by its integration into the power structures of the American oriented neoliberal global economy' (Terreblanche, 2012: 34). Terreblanche (2012: 35) further adds that since

the transition in 1994 inequality has increased in South Africa, in part because of the ANC government's 'misguided and myopic initiatives' which 'have given strong preference to black elite formation and to promoting the interests of local and foreign corporations while it has shamelessly neglected the impoverished black majority.' And as we pointed out in the beginning of this article, many studies postulate a link between corruption and increased inequality, thus exacerbating the consequences of ANC policies.

At the time of non-racial democratic rule the ANC beat a quick retreat from 'the Freedom Charter's promise to nationalise banks, mines and monopolies' (Bundy 2014: 33). Nelson Mandela, the country's first president, returned from Davos, Switzerland, in 1992 to announce to his closest aides: 'Chaps, we have to choose. We either keep nationalisation and get no investment, or we modify our own attitude and get investment' (Sampson, 1999: 435). Liberalisation and globalisation have increased inequality globally, and not just South Africa. As Crabtree and Durand (2017: 12) point out, these economic changes 'have had a profound impact on the balance of political power within economies ... and in their relative patterns of distribution.' They add that in many instances

a circularity become[s] marked, with political capture influencing patterns of unequal distribution (of wealth as well as income), leading in turn to greater inequalities in the distribution of power and thus further contributing to the phenomenon of capture.

While embracing neoliberalism, this did not mean that it was business as usual under the ANC government. A policy of Black Economic Empowerment (BEE) was to act as a Trojan horse in challenging white monopoly capital. In practical terms, this would translate into nurturing a black bourgeoisie, with Thabo Mbeki holding that its 'presence within our economy and society will be part of the process of the deracialisation of the economy and society' (Macdonald 2004: 648). BEE has echoes of *Volkskapitalisme*; the use of state power to facilitate capital accumulation. As MacDonald (2004: 647-48) points out:

Some of the means the NP used to build the Afrikaner bourgeoisie were notorious, of course, but in addition to blatant racism, also boosted Afrikaner-owned businesses through state contracts, subsidies, jawboning, and pressure on English speaking capital to sell subsidiaries to Afrikaners. By similar means, for similar reasons, the ANC is building an African bourgeoisie (MacDonald, 2004: 647-88).

In principle there appears to be little wrong in BEE as a means to change the structure of the social classes in post-apartheid South Africa. But, as Nattrass and Seekings (2010: 8) observe, the way in which BEE has worked has meant that...

many members of the new black corporate elite are very well connected politically, to the extent that the ANC itself has had to respond to criticisms of the 'revolving door' between political or bureaucratic leadership and the corporate world.... The underside of the close relationship between political and economic elites is the tawdry story of corruption, as revealed in case after case of abuse in tender processes. (Nattrass and Seekings 2010: 8).

The *African Communist* (2016) editorial made another point that is relevant, that in order to 'advance a second radical phase of the national democratic revolution' in South Africa, things like a professional National Treasury and South African Revenue Service (SARS) were essential. This did not suit the 'parasitic' agenda of the Guptas who needed to capture or weaken such institutions in order to capture and loot the state. Whatever their other faults, Afrikaner capitalists, the editorial went on, 'for both sentimental and wealth preservation reasons, would like to see an effective Treasury and SARS capable of staving off a South African economic meltdown.'

The Zuma faction in government has effectively taken control of at least four key South African institutions, the finance ministry (by removing Pravin Gordhan), the state prosecutor (with the appointment of Shaun Abrahams and head of the National Prosecuting Authority), the public protector (Busisiwe Mkhwebane), and the South African Revenue Services (whose head Tom Moyane is a Zuma ally).

The Ides of March

Despite continuing support from significant sectors of the ANC, Zuma's position has been weakened by the release of the Report, coming as it did in the immediate aftermath of the ANC's poor performance in the August 2016 local government elections, when its share of the vote fell to 55 percent (the first time since 1994 that it had dropped under 60 percent) and the party lost control of the country's economic hub, Pretoria and Johannesburg and a black-majority city, Nelson Mandela Bay. Leading ANC stalwarts began to speak on this issue. Former Robben Island prisoner Ahmed Kathrada called on the ANC to address public concerns relating to Zuma's relationship with the Gupta family, while the ANC's political ally, the Congress of South African Trade Unions (COSATU), called on Zuma to distance himself from them (Grootes 2016).

Zuma was publicly pilloried. South African artist Ayanda Mabulu exhibited a painting portraying Zuma performing an act of anilingus on Atul Gupta in the cockpit of an airplane against a backdrop of the ANC flag (Feltam 2016). At the funeral service of ANC stalwart, the Reverend Makhenkesi Stofile in late August 2016, attended by around 10 000 people, including ANC top brass, former foreign affairs director-general Sipho Pityana called on Zuma to resign. He hoped that the funeral would be a 'turning point' to rid the ANC of corruption and nepotism so that the party could return to its 'former glory' (George 2016). Former president Thabo Mbeki wrote to Zuma on 1 November 2016 to hold talks with the 101 ANC 'veterans' who publicly expressed concerns about Zuma's leadership and the crisis facing the country because of his alleged links with the Guptas (*The Citizen* 3 November 2016). Ahmed Kathrada penned a damning letter to Zuma on 2 April 2016, in which, amongst other things, he said that he was breaking his position of never speaking publicly about his difference with 'my leaders and my organisation' because of the dire circumstances in which the ANC and country found itself. The position of president required the respect of all South Africans. Kathrada asked, 'bluntly, if not arrogantly, in the face of such persistently widespread criticism, condemnation and demand, is it asking too much to express the hope that you will choose the correct way that is gaining momentum, to consider stepping down?'

Despite this criticism, Zuma felt emboldened enough to fire Gordhan at the end of March 2017. Gordhan was in London to meet with potential investors when Zuma instructed him to return home and announced shortly before midnight on 30 March 2017 that Malusi Gigaba, the former Home Affairs minister, was replacing Gordhan as Minister of Finance. Muller (2017) believes that Gordhan's sacking was due to his determination 'to safeguard the fiscus against irresponsible and corrupt activities.' Rossouw likewise believes that Zuma was 'hellbent on replacing (Gordhan) with appointments that would allow looting of the national purse' (Rossouw 2017). On the other Zuma allies mounted attacks on Gordhan with Zuma's son Edward, in an open letter at the end of July 2017, called Gordhan a 'White Monopoly Capital stooge.'

Zuma would likely have fired Gordhan earlier were it not for the death of Ahmed Kathrada on 28 March. Kathrada reportedly instructed his family that Zuma was not to speak at his funeral (Fihlani 2017). Zuma did not attend the funeral service but high ranking ANC leaders like Deputy President Cyril Ramaphosa, secretary general Gwede Mantashe, and former presidents Thabo Mbeki and Kgalema Motlanthe did. Motlanthe was given a standing ovation for his eulogy, which included a powerful critique of Zuma. He said that it would be 'disingenuous' to pay tribute to Kathrada while ignoring the fact that Kathrada had been 'deeply disturbed by the current post-apartheid failure of politics.' Motlanthe quoted extensively from Kathrada's letter and warned that the ANC 'itself may disappear off the face of the earth if it fails to embrace the culture of self-reflection from time to time concerning its character and inner soul as a governing party' (Fihlani 2017) While ANC Secretary-General Gwede Mantashe and Deputy President Cyril Ramaphosa both stated that they opposed the firing of Gordhan they did not resign or openly support a motion against Zuma as this carries the risk of leaving them in the political wilderness (Calland 2017).

Both the opposition DA and EFF political parties annually tabled motions of no confidence in Zuma. They have not succeed without the support of ANC members in parliament who are in the majority.

Opposition parties were of the view that ANC members were opposed to Zuma but fearful of the consequences of voting against Zuma openly and would do so in a secret ballot. National Assembly Speaker Baleka Mbete argued that she had no authority to hold a secret ballot. The United Democratic Movement party brought an action against the speaker and the Constitutional Court ruled on 22 June 2017 that it was in fact up to the Mbete to decide for or against a secret ballot. The vote was set for 8 August 2017, and the result was

Nevertheless, this likely is the most divided that the ANC has been in the post-apartheid period with real dangers for the party heading into the 2019 elections (Calland 2017).

Concluding remarks: the Guptas and race in South Africa

Many South Africans believe that the country is at a tipping point as Zuma and his allies have control of key state institutions. Thus far civil society, an active opposition, an independent judiciary, and a relatively free press have been constantly trying to bring them to book. How long this can continue is debatable as there is marked inequality, high unemployment, and increasing racial tension, and Zuma's grip on the state is tightening.

The Guptas' wealth over the past two decades has been built on the back of political connections, providing grist to the mill of crony capitalism and 'sharp' Indian business practices. They have thus far survived and prospered because of their links to President Zuma whose own family and political allies appear to have benefited enormously from this relationship. Towards the end of August 2016, with intense pressure on the family, the Guptas announced that they were divesting from the country. They did an apparent volte face, for Atul Gupta told BBC 4 radio in an interview played on 3 August 2017 that the family had no intention of leaving: 'I want to stay in South Africa forever. I love this country... I'm proudly South African and I respect all my fellow South Africans. I'm a live example of financial liberation and I'm playing my part.'

Whatever happens, their legacy will be Zuptas, shorthand for the shady relationships between Indian business interests and African chiefs who wield political clout.

The Guptas' activities have consequences for race in the post-apartheid moment. They were using Bell Pottinger to foment racial tensions between black and white; ironically their activities may be contributing to race tensions between African and Indian by feeding into the already existing negative stereotypes of Indians in many parts of Africa, and especially in the province of KwaZulu-Natal where Indians and Africans have historically as much as they have collaborated have had tense relationships. At a broader level allegations about state capture have exacerbated political tensions in South Africa. The ANC is divided and its two main alliance partners the SACP and Cosatu have both demanded that Zuma resign. This happens against a backdrop of elections for the President of the ANC in December 2017. The two leading candidates are Nkosasana Zuma-Dlamini the ex-wife of the President Zuma and in the Gupta camp and Cyril Ramaphosa an extremely rich beneficiary of BEE. Whoever wins will inherit a weakened ANC and a resurgent opposition in the form of the centrist DA and the Left-wing EFF.

In some quarters this political uncertainty is seen as positive as it allows debate about the future of the country whose outcomes are not still dominated by one political party. Other worry that the eroding of the ANC as the centre of power will exacerbate turmoil and jeopardise the stability needed to attract investment and stimulate economic growth.

Negative perceptions about the role of Indian capital extends beyond South Africa to other countries in Africa. Historically, tensions in Afro-Indian relations have existed in South Africa as well as Tanzania, Uganda, Zimbabwe, and Kenya where Indians were accused of not integrating into local societies and of not investing in the countries in which they lived.

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¹ Jonas told the Protector that he had been offered 600m South African rands (around \$44m as calculated in November 2016) by Ajay Gupta to agree to be appointed finance minister and use his position to replace some of the executives in the National Treasury who were a 'stumbling block' to the Gupta family's business ambitions. Jonas declined the offer. Finance Minister Nhlanhla Nene was replaced by Van Royen, then a little known backbencher. The report stated that Van Royen had spent a considerable amount of time with the Guptas and was near their Saxonwold, Johannesburg, residence many times, including on the day before he was announced as Minister.

² Between 2 August 2015 and 22 March 2016, Eskom CEO Brain Molefe called Ajay Gupta 44 times while Ajay called Molefe 14 times. Eskom's awarding of a coal contract to Tegeta was irregular and the Eskom board was improperly appointed. Molefe initially tried to laugh off the suggestions, stating that he visited a shebeen in the area. However, public pressure forced him to resign in December 2016. In true Zuma-fashion, he was back in the limelight when the ANC appointed him an MP in February 2017. Opposition parties feared that he would be put into the National Treasury to strengthen the Guta-Zuma control of the fiscus.